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The Art of Executive Strategy

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The 4.3x Multiplier

Why PE-Backed Companies That Integrate People and Performance Outperform Those That Choose Between Them

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Here is a number that should reframe how every PE operating partner evaluates portfolio company leadership: organizations that achieve simultaneous excellence in people development and performance accountability are 4.3 times more likely to sustain top-tier performance than those that focus on performance alone. That is not a marginal improvement. It is a category-defining multiplier.

McKinsey's "State of Organizations 2026" research documents this with striking clarity. In organizations that master both people and performance, 77 percent of employees feel motivated, compared with just 21 percent in organizations that focus on performance alone. Yet fewer than 25 percent of organizations successfully achieve sustained impact from their performance improvement initiatives. The gap between knowing this and building it is where most leadership teams fail.

The False Choice Between People and Performance

In my 25 years advising CEO-led teams, I have watched leadership teams repeatedly treat people and performance as competing priorities. The performance-oriented CFO pushes for accountability and cost discipline. The people-oriented CHRO advocates for engagement, development, and well-being. The CEO tries to "balance" the two, which usually means alternating between them based on which pressure is more acute in any given quarter.

This is the wrong frame entirely. The 4.3x multiplier does not come from balancing people and performance. It comes from integrating them into a single leadership system where developing people is the mechanism through which performance improves, and achieving results is the context in which people grow. These are not competing forces to be managed. They are reinforcing dynamics that, when properly configured, produce compounding returns.

McKinsey's data shows why the alternative fails. Organizations that focus on performance without people investment eventually hit a ceiling. Accountability without development produces compliance. Targets without capability-building produce short-term results that are not sustainable. The 77 percent versus 21 percent motivation differential is not just an engagement metric; it is a leading indicator of whether the organization can sustain transformation through the inevitable difficulties that AI-era change requires.

What P&P Integration Looks Like in Practice

In the HPLT Assessment, I measure a specific configural pattern called the People and Performance Integration Engine. It activates when leadership teams exhibit three simultaneous conditions.

First, the team holds genuinely high performance standards, meaning enterprise-level accountability that is horizontal (peer-to-peer) rather than just vertical (each member to the CEO). In teams where accountability is primarily vertical, the CEO becomes the bottleneck for every performance conversation, standards erode when the CEO is not in the room, and the team never develops the collective ownership of results that distinguishes a Real Team from a Working Group.

Second, the team invests deliberately in people development, not as an HR program, but as a leadership practice embedded in how the team operates. This means regular development conversations, explicit capability-building linked to strategic priorities, and honest assessment of readiness gaps. McKinsey's finding that leaders still undervalue intrinsic motivators, with only 20 percent believing nonfinancial rewards can drive performance, reveals how far most leadership teams are from this standard.

Third, the team treats the integration of people and performance as a design problem, not a cultural aspiration. This means structuring incentive architectures that reward both results and people development, designing meeting cadences that include explicit development review alongside operational review, and building talent pipelines that treat leadership capability as a strategic asset with the same rigor applied to financial capital.

The PE Imperative: Why This Matters for Value Creation

For private equity portfolio owners, the P&P Integration Engine has direct implications for thesis execution and exit value.

At the front end of a hold period, the speed at which a new leadership team, or a newly reconfigured one, achieves operational alignment depends on whether the team can simultaneously drive performance expectations and build the capability to meet them. Teams that push performance without people investment produce early results that plateau. Teams that invest in people without performance urgency never generate the returns the thesis requires.

At the back end, the sustainability premium that sophisticated buyers assign to well-managed companies is directly influenced by the depth of the leadership bench, the quality of the talent pipeline, and the evidence that performance results are driven by organizational capability rather than heroic individual effort. The 4.3x multiplier is, in effect, a multiple-expansion driver.

In my assessment work with PE-backed companies, the P&P Integration Engine is one of the most reliable predictors of whether a portfolio company will achieve its value creation bridge. When it is present, the team has the motivational fuel and the capability runway to execute through the inevitable setbacks that every thesis encounters. When it is absent, the team is operating on willpower and top-down pressure, which is a depreciating asset.

Building the Integration Engine in Your Leadership Team

The P&P Integration Engine is a configural pattern, which means it cannot be built by improving one leader at a time. It requires deliberate design across the team.

Start by assessing whether accountability in your leadership team is primarily horizontal or vertical. If every performance conversation runs through the CEO, you have a structural problem that no amount of cultural aspiration will fix. Horizontal accountability requires explicit mechanisms: peer-to-peer commitments documented in a team charter, regular operating reviews where team members hold each other accountable, and a CEO who resists the temptation to be the sole arbiter of performance.

Next, evaluate whether your development investment is strategic or administrative. Strategic development means identifying the specific capabilities the team needs to execute its three-to-five must-win battles, designing development experiences that build those capabilities, and measuring progress with the same rigor applied to financial KPIs. Administrative development means offering training catalogs and hoping people participate.

Finally, look at your incentive architecture. If individual functional performance is rewarded but crossfunctional enterprise outcomes are not, your system is structurally designed to prevent P&P integration. The best leadership teams I work with have compensation and recognition structures that make collective enterprise results the primary performance measure, with individual functional results as secondary contributors.

The 4.3x multiplier is available to every leadership team. It does not require a technology investment or a restructuring. It requires a leadership team that is deliberately designed to integrate people and performance as a single system, governed by a CEO who understands that the highest-performing organizations are not the ones that push hardest, but the ones that build the deepest.

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If you're ready for elite performance, let's start a conversation. Call (425) 283-2747 or email john.boyle@convergencypartners.com to schedule an appointment for a 1 hour discovery call. We look forward to hearing from you.